

**PEC LIMITED : NEW DELHI**  
**PEC CSR AND SUSTAINABILITY POLICY**

**1. Introduction :**

PEC Limited, as a responsible Corporate has been undertaking Socio-Economic Development Projects/Programs and also supplementing the efforts of the local institutions/NGOs/local Government/implementing agencies in the field of Education of underprivileged and disabled, Healthcare, environment conservation & Green energy, Swachh Bharat Abhiyan, vocational Training, drinking water & water conservation etc. to meet priority needs of the marginalized and deprived communities with the aim to help them become self-reliant. These efforts are being undertaken preferably in the local area and backward districts to benefit the weaker sections which include SC, ST, minorities and differently abled persons etc.

PEC Ltd. has been complying with the guidelines issued by Department of Public Enterprise from time to time in respect of CSR & Sustainability implementation. With the promulgation of new Companies Act 2013 and its mandatory provision under Section 135, this document is the CSR Policy on the lines of Companies (CSR) Rules, 2014 issued by Ministry of Corporate Affairs and latest rules issued by DPE in this regard on 21<sup>st</sup> October, 2014.

**2. CSR VISION STATEMENT & OBJECTIVES :**

- 2.1 **VISION STATEMENT** : PEC Limited, through its CSR initiatives, will continue to enhance value creation in the society, to actively engage in social, economic, environment and Cultural development of the communities, especially meeting the priority needs of socially/economically backward, marginalized & vulnerable communities, and making them self-reliant.

The aim of the Corporate Social Responsibility and Sustainability Policy (CSR and Sustainability Policy) is to ensure that the Corporation becomes a socially responsible Corporate entity committed to improving the quality of life of the society at large.

**CSR & Sustainability**

The term 'sustainable' has been used in conjunction with CSR, because CSR activities as envisaged in the Section VII of the Companies Act, 2013 can be supplemented with sustainability initiatives, as both aim at achieving development goals. CSR and Sustainability issues are complementary in nature and both are mentioned clearly in the policy.

**2.2 The objective of the PEC 'CSR and Sustainability' Policy is to :**

- \* Ensure an increased level of commitment at all levels in the organisation, to operate its business in an economically, socially & environmentally sustainable manner, while recognizing the interests of its stakeholders.
- \* Generate a societal goodwill for PEC through CSR activities and help reinforce a positive & socially responsible image of PEC as a Corporate.

### 3. SOCIAL PHILOSOPHY :

PEC Limited is committed to its Corporate Social Responsibility through CSR Initiatives utilizing its resources and expertise to provide social, economic, Environment benefits etc., to the communities.

3.1 The CSR Projects/Programs related activities to be undertaken by the Company means and include but is not limited to :

a) CSR Project or Programs relating to activities specified in **Schedule VII of the Companies Act 2013, and amendments thereof**. At present the list of activities specified in Schedule VII are as follows :

- (i) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to the Swach Bharat Kosh set up by the Central Govt. for the promotion of sanitation and making available safe drinking water;
- (ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- (iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
- (iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set up by the Central Government for rejuvenation of river Ganga.
- (v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- (vi) Measures for the benefit of armed forces veterans, war widows and their Dependents;
- (vii) Training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;
- (viii) Contribution to any fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Caste, the Scheduled Tribes, other backward classes, minorities and women;
- (ix) Contributions or funds provided to technology incubators located within academic Institutions which are approved by the Central Government;
- (x) Rural development projects.
- (xi) Slum area development.

b) CSR Projects/Programs relatable to Schedule VII of the Companies Act 2013. The items enlisted in amended Schedule VII are broad based and are intended to cover a wide range of activities.

c) Any other projects/programs as per amendment made in Schedule VII from time to time.

d) PEC Ltd. being an international trading company and having no specific geographical area of commercial operations, may take up CSR activities/projects at any location of their choice within the country. However, PEC Ltd. shall give due preference to the local area and the Board of Directors shall be deciding on an indicative ratio of CSR spend between the local area and outside.

#### 4. COMPOSITION OF CSR COMMITTEE OF THE BOARD :

- 4.1 The composition of the Corporate Social Responsibility Committee of the Board shall be notified from time to time, in terms of the provisions of Sub-section (1) of Section 135 of the Companies Act, 2013.
- 4.2 The present composition of the CSR Committee is – Additional Secretary, Deptt. of Commerce, Ministry of Commerce & Industry and CMD of PEC Ltd., as Chairman of the Committee and Director (Marketing), PEC Ltd., and Director, Ministry of Commerce & Industry as member.
- 4.3 The Board of Directors may decide regarding other members to be associated as Convener, special invitee(s) etc. in the CSR Committee.

#### 5. ORGANIZATIONAL STRUCTURE, ROLES AND RESPONSIBILITIES :

In order to meet the CSR objective, Organisational Structure, Roles & Responsibilities would be as under :-

##### 5.1 CSR Committee

The role of CSR Committee constituted by Board will be as under :

- a) Formulate and recommend to Board, a CSR Policy which shall indicate the activities to be undertaken
- b) Recommend the amount of expenditure every year to be incurred on CSR
- c) Monitor CSR Policy of the Company from time to time;
- d) Institute a transparent monitoring mechanism for implementation of CSR Projects/Programs/activities undertaken by the Company;
- e) Allocation of funds to the various activities/Projects/Programs.
- f) Selection of implementation Agency for major projects.
- g) Appointment of independent agency (internal/external) for undertaking impact assessment studies for major projects.

##### 5.2 Board of Directors

The Board of Directors shall

- a) Review recommendations made by the CSR Committee;
- b) Approve CSR Policy for the Company
- c) Ensure disclosing contents of the policy in Company's report/website.
- d) Ensure that Company spends at least 2% of its average profits during the three immediately preceding financial years.
- e) Ensure that activities included in the CSR policy are undertaken by the Company.
- f) If the Company fails to spend such amount, the Board shall, in its report specify the reasons for not spending the amount
- g) Include an annual report on CSR in the Board's Report containing particulars specified in **Annexure I** and this annexure will be displayed on the website of the Company.

5.3 Chairman & MD will be overall responsible for the effective implementation of CSR activities under the guidance of CSR Committee in accordance with the approved Policy, apprising the Board at least once a year.

5.4 **Below Board Level Committee :**

Below Board Level Committee, under the Head (CSR) will carry out the following activities :

- a) Formulation of CSR plans and strategies.
- b) Annual CSR budget allocation for various Projects/Programs/activities.
- c) Periodic monitoring of CSR Projects/Programs/activities.
- d) Display CSR Policy on the Company's website.
- e) Documentation and maintenance of data including bringing out reports, news-letters etc.
- f) Identification and implementation of approved schemes/activities.
- g) Review of the Impact Assessment Report submitted by independent agency for the Projects/Programs/activities.
- h) Obtaining completion certificates for all projects.

## 6. PLANNING

### 6.1 RESOURCES

- 6.1.1. For achieving its CSR objectives through implementation of sustainable CSR Projects or programmes, PEC will spend 2% of the Average Net Profit made by the company during the three immediately preceding financial years. (Net Profit to be calculated in accordance with the provisions of Section 198 of Companies Act, 2013).
- 6.1.2 The unspent CSR amount in a particular year would not lapse. It would instead be carried forward to the next year for utilization for CSR activities only.
- 6.1.3 PEC may build CSR capacities of its own personnel as well as those of implementing Agencies through Academic/Training Institutions with established track record of at least three financial years but such expenditure including expenditure on Administrative overheads shall not exceed five percent of its total CSR budget of PEC in one Financial year.
- 6.1.4 PEC may get a baseline/need assessment survey done prior to the selection of any CSR activity either from its own personnel or from an outside agency. Likewise, impact assessment for mega projects, which is mandatory, shall be got done from an outside agency. However, the expenditure incurred on baseline survey and impact assessment study would be within the overall limit of 5% of administrative overheads of CSR spend as provided for under the CSR Rules.
- 6.1.4 One-off events such as marathons/awards/charitable contribution/advertisement/ sponsorships of TV programmes etc. would not be qualified as part of CSR Expenditure.

- 6.1.5 Expenses incurred for the fulfilment of any Act/Statute of regulations (such as Labour Laws, Land Acquisition Act etc.) would not count as CSR expenditure:
- 6.1.6 **Amount spent on sustainability** : The amount spent on sustainability initiatives in the pursuit of sustainable development by PEC while conducting normal business activities would not constitute a part of the CSR spend from 2% of profits as stipulated in the Act and the CSR Rules.
- 6.1.7 Any amount directly or indirectly contributed to any political party under Section 182 of the Companies shall not be considered as CSR activity.
- 6.1.8 The salary paid by the Company to its CSR officers (regular employee) as well as to the volunteers of the Company (in proportion to the Company's time/hours spent specifically on CSR) can be factored into CSR project costs as part of the CSR expenditure.

## 7. MODALITIES FOR UNDERTAKING CSR ACTIVITIES

### 7.1 Operationalising the institutional mechanism

In order to gain the greatest leverage and a strategic advantage through the investment of intellectual and financial resources, the options for implementation mechanism would be as under :

- a) The CSR activities may be undertaken by the Company, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing), excluding activities undertaken in pursuance of its normal course of business.
- b) The CSR activities may be undertaken by the Company, through a registered trust, society, NGO or Company registered under Section 8 of the Act of otherwise :

Provided that :

- (i) Such trust, society, NGO or Company under Sec 8 of the Companies Act shall have an established track record of three year in undertaking similar programs or projects;
- (ii) Subject to provisions of sub-section (5) of Section 135 of the Companies Act, the CSR Projects or programs or activity undertaken in India only shall amount to CSR expenditure
- (iii) The CSR projects or programs or activities that benefit only the employees of the Company and their families shall not be considered as CSR activities.



- c) A Company may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR Committees of respective companies are in a position to report separately on such projects or programs in accordance with these rules.
- d) In case the implementing agency is accepting foreign contribution, the permission letter issued by the Ministry of Home Affairs may be obtained for processing the case.

7.2 The other specifications and modalities regarding utilization of funds, monitoring and reporting requirements are as under :-

7.2.1 The Company would consider the following factors while deciding execution of Projects/Programs/activities through Implementation Partners :

7.2.2 **PROJECT SELECTION CRITERION**

- Compliant to Companies Act/DPE guidelines.
- Relevant sectors .
- Overall impact to society/beneficiaries .
- Defined project targets .
- Feasibility of implementation and monitoring.

7.2.3 **NGO/Implementing Agency Selection Criterion**

- Past projects
- Current projects
- Clean records
- Past experience
- Awards & accolades, if any.

**CHECKLIST**

- Copy of Trust Deed.
- List of Trustees
- Copy of PAN Card
- Copy of 12A Certificate
- Copy of Audited Balance sheets for last three FYs
- Copy of Memorandum of Association/Trust Deed
- Copy of Notification of exemption under Section 35 AC/80G of Income Tax
- Press cuttings
- Latest Annual Report, etc.

## **7.2.4 IMPLEMENTATION OF CSR PROJECTS**

### **7.2.4.1 START OF PROJECT**

- Conducting Need Assessment Study/Baseline Survey, if required from its own Personnels or from external agency(ies).
- Project Proposals scrutinized by Below Board Level Team
- Mandatory/Compliance documents collected
- Projects Approved by the Board Level Committee
- Projects Approved by Board of Directors
- Signing of MoU at the start of project clearly indicating deliverables, Timelines and funding to be provided.

### **7.2.4.2 DURING THE COURSE OF PROJECT**

- Regular physical inspection of progress of the project by PEC Ltd. staff
- Third party/external agency appointed for monitoring and evaluation
- Regular update on the project execution by the NGO/Implementing Agency project team.

### **7.2.4.3 COMPLETION OF PROJECT**

- Detailed report prepared on the actual benefits achieved from the project Prepared and compared against planned objectives by Third Party/external agency.
- Evaluation, and Plan on sustainability of the project on continuous basis.

### **7.2.4.4 ASSESSMENT**

- Fund utilization certificate duly certified by a Chartered Accountant
- Tax Exemption certificate against the amount given.

### **7.2.4.5 REVIEW**

- Review of Impact Assessment report from the implementing agency and Third Party/external agency.

## **8. MONITORING AND REPORTING**

**8.1** The routine progress monitoring may be done for the following three important purposes :

- a) It highlights any slippages and helps to determine a corrective action that must be taken if need be.
- b) It provides an excellent opportunity for learning : what worked and what did not. This can then be immediately applied to other projects.
- c) This is an essential part of the directors' report as per the CSR clause of the Companies Act, 2013.

- 8.2 To ensure objectivity, it is critical that the monitoring is done by someone other than the people directly engaged in the project/programme implementation. Third party/outside agency shall be engaged for this purpose along with sight visits by PEC officials. The overall review should be done by a monitoring committee, duly constituted taking personnels from various divisions.
- 8.3 The monitoring process for projects/programs would include :
- a) Determining the monitoring schedule for each project/programme based on the approved project/programme proposal ( a minimum of 2 visits should be made with one at the completion of the activity).
  - b) Obtaining all relevant progress reports, studying them and making a note of the gaps;
  - c) Obtaining Work Completion Certificate and duly verified by inspecting officer.
  - d) Holding discussions with the implementation team on reasons for slippages (if any) and agreeing on a corrective action. This may be done through a field visit or based on what has been agreed in the MoU.
  - e) Holding discussions with the implementation agency regarding what lessons are emerging and how they can be applied within the project/ programme as well as outside.
  - f) Obtaining Utilization Certificate duly certified by a Chartered Accountant.

## 9. IMPACT MEASUREMENT

- 9.1 The impact measurement activities would include :
- a) Site visits by the team, involvement of the agency involved during the baseline and need assessment studies.
  - b) Undertaking the impact measurement exercise and preparing the report.
  - c) Identifying the lessons for future interventions.

## 10. REPORTING

- 10.1 An Annual Report on CSR containing details about the CSR policy and programmes Implemented by PEC shall be included in the Board of Directors' Report for every Financial Year, as per the format prescribed under the Rules to Section 135 of Companies Act, 2013.
- 10.2 Composition of the PEC CSR Committee will be included in the Annual Report on CSR and also displayed on the PEC website.
- 10.3 The proforma containing the details of CSR activities to be undertaken by PEC will be annexed on an annual basis with the policy document.



- 10.4 The Board of Directors' Report shall include a Responsibility Statement of the CSR Committee that the implementation and monitoring of CSR Policy is in Compliance with CSR objectives and Policy of PEC Limited.
- 10.5 If for some reason, PEC fails to spend 2% of the average net profit of the Preceding three FYs on CSR, the reasons thereof, shall be furnished in the Report of the Board of Directors under Section 134 (3) (o) of the Companies Act, 2013.

#### **11. CORPORATE IMAGE :**

All efforts would be made to ensure appropriate visibility of PEC's contribution to the Community and the Nation. It would be ensured that all implementing agencies should give wider visibility/publicity to the contribution made by PEC Ltd. in this regard. PEC would give the details of its CSR activities along with the PEC CSR & Sustainability Policy on its Website.

#### **12. GENERAL PROVISIONS**

- 12.1 PEC shall execute all CSR Projects/activities/ programmes based on Companies (CSR Policy) Rules 2014 under Companies Act 2013 and DPE guidelines on CSR & Sustainability for CPSEs effective 1<sup>st</sup> April 2014.
- 12.2 If necessitated, new CST activities/projects can be taken up during the course of a year, in addition to CSR activities already incorporated in the CSR Policy of PEC on annual basis, with the Board's approval based on the recommendations of CSR Committee. The same would be treated as amendment to the policy.
- 12.3 The surplus arising out of CSR projects or programmes or activities shall not form Part of the business profit of the company.
- 12.4 No contribution shall be made to any political party through CSR Fund.
- 12.5 The CSR Projects or programmes or activities that benefit only the employees of PEC and their families shall not be considered as CSR activities in accordance with Section 135 of the Act.
- 12.6 The power to interpret and administer the Rules shall rest with C&MD whose decision shall be final and binding. C&MD is also empowered to make any supplementary rules/orders to ensure effective implementation of the scheme.
- 12.7 Any or all provisions of the CSR&SD Policy would be subject to revision/ amendment in accordance with the guidelines on the subject as may be issued by GOI/DPE, from time to time.
- 12.8 The Corporation reserves the right to modify, add, delete or amend any of the provisions of this Policy.

- 12.9 In case of any doubt with regard to any provision of the policy and also in respect of matters not covered herein, a reference shall be made to CSR&SD Cell. In all such matters, the interpretation and decision of the Chief General Manager(P&A) shall be final.